Echelon II Follow-Up



Presentation for Admiral Clark, USN

Chief of Naval Operations
Committed to become the Navy's best value
provider of

Facilities Engineering, Construction,
- Fleet Focused - Innovative
Maintenance & Acquisition
- Surge Enabler - Ever Faster

Interdependent Global - Continuous Cost
 Team Reduction

RADM Michael K. Loose, CEC, USN

Commander, Naval Facilities Engineering Command & Chief of Civil Engineers

Outline



- **Drive Out Costs**
- П. **External and Internal Alignment -Reduce Flag Poles**
- **Continuously Shape/Leverage the** III. Workforce
- IV. **Execute Through Output Driven Metrics**
- Create & Sustain a Culture of V. Change

CNO Action Items



- Reduce
- Consumption and Harvest Savings
- Divestiture and Mitigation



Manpower





Competition and Culture of Innovation

CNO Action Items Tab 1

Drive Out Costs



NAVFAC as "Claimant 25"

MAVIAC as Claim						
FY06 \$M	TOA Baselin e¹	POM 06 Target	Self- Assigne d Target			
Investme nt	1,064	46	52			
Operatio ns	302	13	25			
MPN NAVEACE	53	2	4			
TOTAL	1,419	61	81			

L 23	
FY06	TOA
\$M	Baselin e
Output	1,022
Cos	
Produc	344
MPN	53
TOTAL	1,419

NAVFAC as "Sea Enterprise Steward"*

FY06 \$M	Baselin e	Self- Assigne d Target
Output Costs	6,100	97
Production Costs	547	44
MPN	53	4
*TOTALATEP,	M €€79,9 EF	RN, 245 ,

AMPHIB, and BRAC; and BOS Execution Agent

NAVFAC will:

¹Joint ASN (RD&A)/VCNO Itr of 28 Jan 04 Reduce production costs by \$461M over FYDP Recommend opportunities to reduce Navy output costs by \$781M over FYDP

Reduce Cost

Cost Alignment

Workforce

Metrics



Optimize Resources

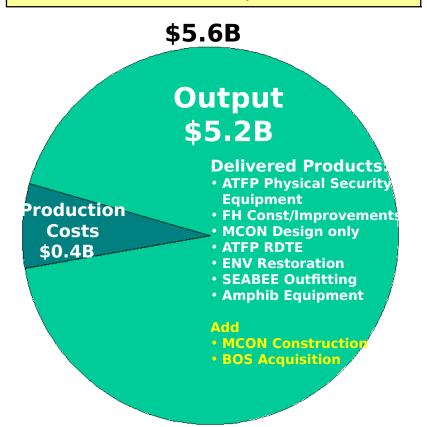


FY06 Baseline

NAVFAC as "Claimant 25"

HQ/EFDs/Specialty Ctrs
"RMS \$"

\$1.4B **Output Producti** \$1.0B on Costs **Delivered Products:** \$0.4B ATFP Physical Security **Equipment** FH Const/Improvement MCON Design only ATFP RDTE ENV Restoration SEABEE Outfitting Amphib Equipment



Production Cost includes:

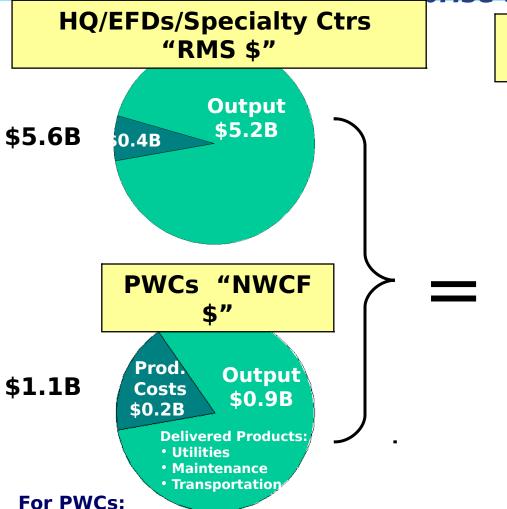
- HQ, EFD/A, Spec. Center salary and support
- All MPN and CSS

Optimize Resources

FY06 Baseline "NAVFAC as Sea







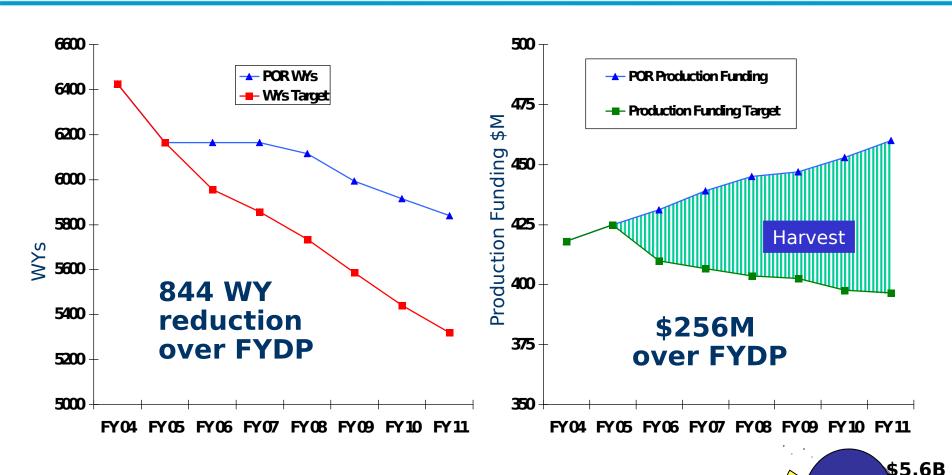
NAVFAC as "Sea Enterprise Steward"



- Production Cost is indirect labor and support
- Output is direct labor and materials

NAVEAHARVEST Production Savings

HQ/EFDs/Spec Ctrs



Business Line Process Driven Reductions



Drill Down (Tab 3)

Reduce Cost

Alignment

Workforce

Metrics

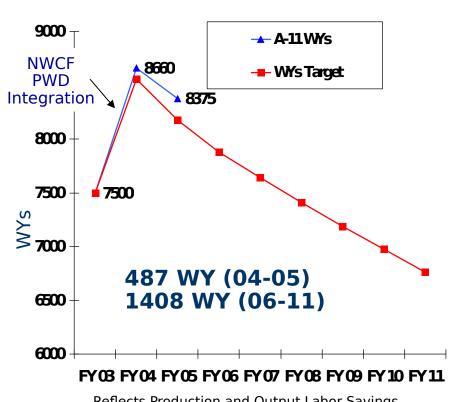
Sustaining Change

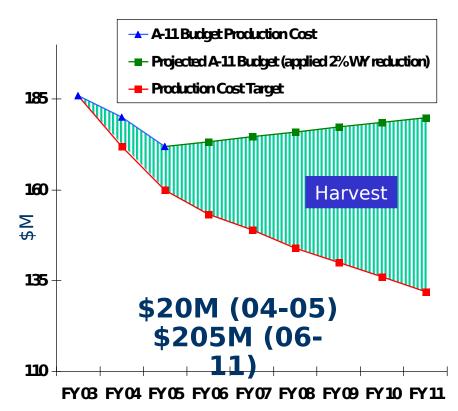
Production Costs

NAVEAHARVEST Production Savings



PWCs





Reflects Production and Output Labor Savings

Savings returned to customer through future rate reductions

Alignment



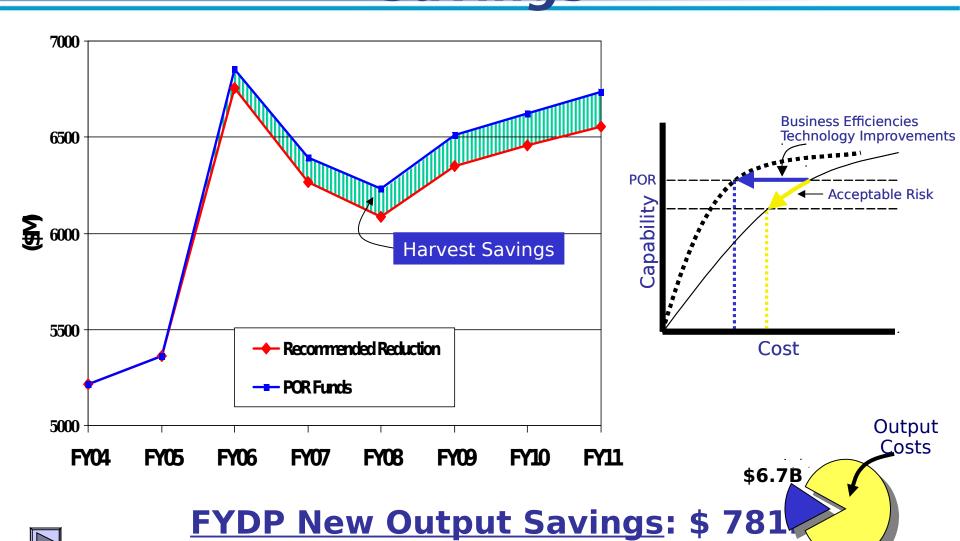


Reduce Cost



Harvest Output Savings





Drill Down (Tab 4)



External and Internal Alignments

Reduce Cost

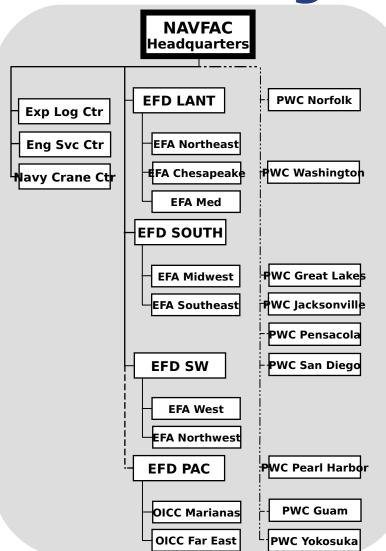
Alignment

Workforce

Metrics

Current Organization





Currently, Two Enterprises

EFD/A & Specialty Centers - NAVFAC

TOA \$ 5.6B (FY06)

Public Works Centers - Regions

TOA \$ 1.1B (FY06)

Over 15,000 people worldwide (MIL, CIV, CSS)

Public Works Centers (59%)
EFDs/ EFAs (29%)
Specialty Centers (10%)
Headquarters (2%)

PRIDU
----- ADDU
---- BSO, Technical
Authority, Not

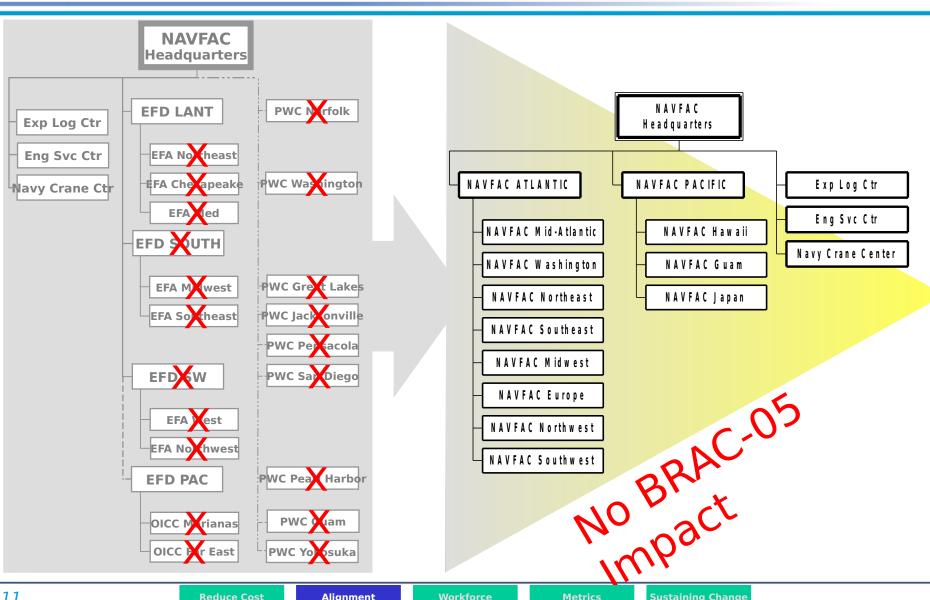
PRIDU/ADDU Metrics Sustaining Change



Re-Alignment



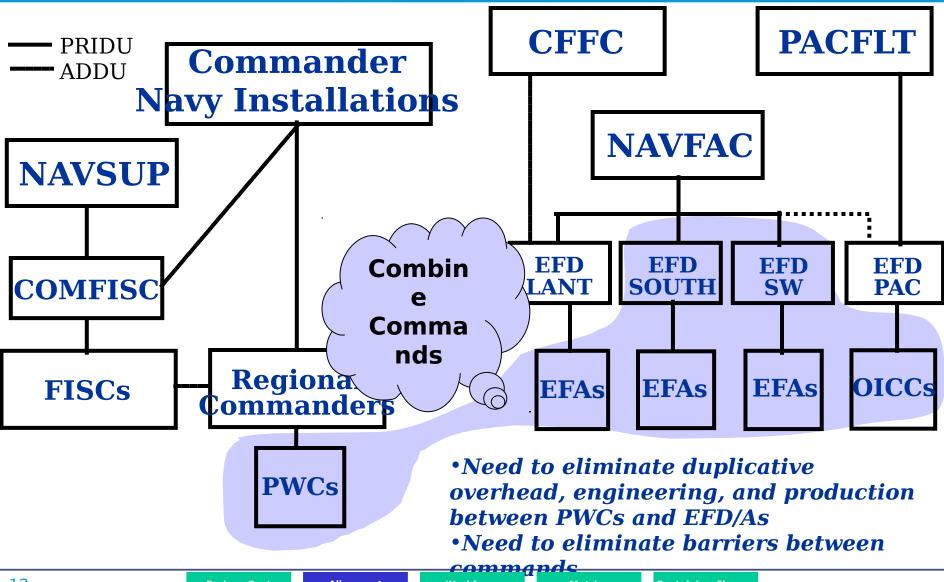
Reduce Commands (25 to 16)



NAVFAC 5

Current Navy Shore Establishment

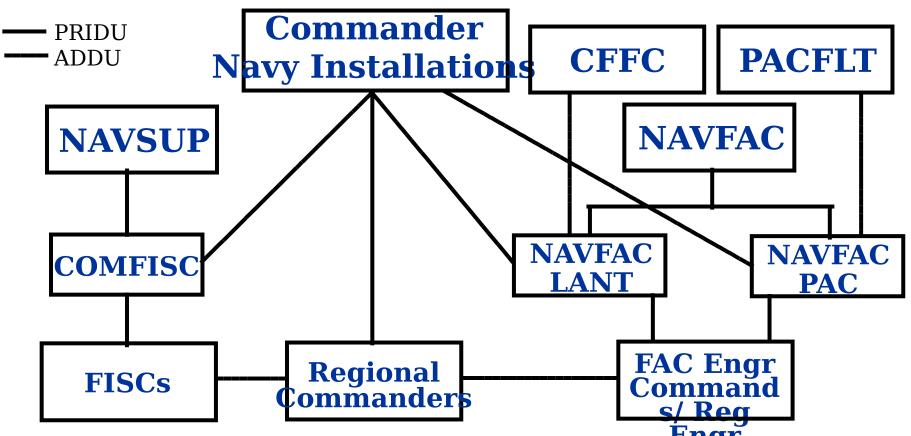






Aligned Navy Shore Establishment





Workforce

•FECs OPCON/ADDU to Regional Commanders and PRIDU/ADCON to NAVFAC LANT or PAC

- •ACQ and Real Estate contract authority preserved
- USMC support maintained

- •Establishes clear authority/ accountability to drive change and achieve Navy-wide savings
- •Reduce from 25 to 16 Commands
- •NAVFAC LANT/PAC are

OPCON/ADDU to CFFC/PACFLT and PRIDU/ADCON to NAVFAC

Reduce Cost

Alignment



Structural Alignment Benefits



Goal

Significantly enhance Navy Shore Facilities Engineering execution and productivity

How

- Combine PWCs & EFD/As into Facilities Engineering Commands (FECs) to align with Navy Regions
- Position Navy to integrate independent Public Works
 Departments into FECs one Navy PW Delivery Model

Why

- Unity of Command = Alignment = Significant Savings/Improved Productivity
- Positions Shore Facilities Engineering to better support surge Navy Production Savings (\$M)

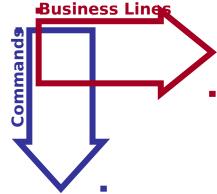
FY05	FY06	FY07	FY08	FY09	FY10	FY11
3	15	30	49	49	49	49

Functional Alignment



- Aggressively transform NAVFAC from Commandcentric to Business Line-centric governance
 - -Exploit new structural alignment of EFDs, PWCs, & PWDs to support our "Surge Navy" and to create and achieve enterprise-wide (EFD, EFA, PWC) savings opportunities
 - -Empower/ hold Business Line Leaders accountable to continuously drive out costs

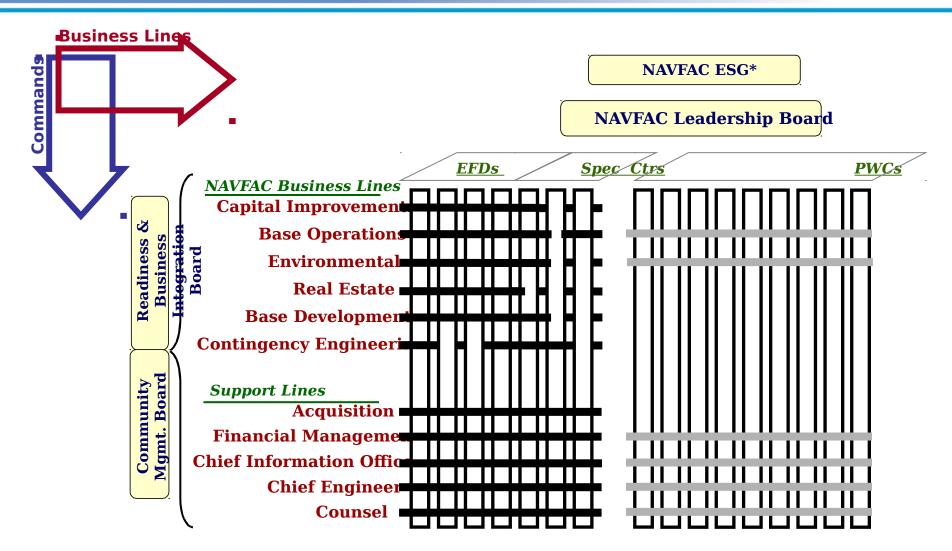
•Accelerate divestiture of non-core functions and enterprise IT integration



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Realigned Governance





*ESG includes CNI and NAVSUP

16

Reduce Cost

Alignment

Workforce

Metrics



Divestiture

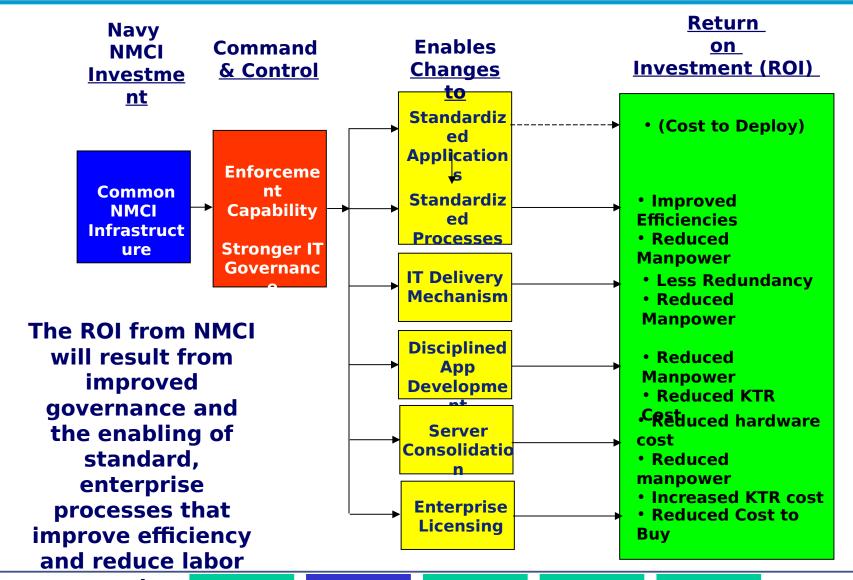


- •Vital element of process improvement. NAVFAC will either be the "best value provider" or "get out of the business"
- Examining 416 NAVFAC Product & Service deliverables
 - -Completed first pass review:
 - 25 candidates for elimination or outsourcing
 - •26 candidates for consolidation into NAVFAC centers of excellence
 - •27 candidates for re-alignment within Navy
- •Candidate example: Divest "No Engineering" construction contracting
 - -Approx 6,000 transactions/year under \$25K
 - -Approx \$50M/year volume of business
 - -Potential savings \$1M/yr
- •Risk:
 - -Eliminate the personnel doing the work... Return the savings to Navy.
 - -No "Navy Facility Experts" oversight (NAVFAC, FEC). NAVFAC/FEC assistance on an exception basis only.
 - -Discussions underway with GSA, DLA

17 Reduc

Strategy for Leveraging Enterprise IT Investments





18

costs.

Reduce Cost

Alignment

Workforce

Metrics

How NAVFAC is Leveraging IT Investments



- Standard Systems & Processes:
 - -Deploying enterprise systems
 - Design Program Management
 - Project Management
 - Construction Management
 - Facilities Management
 - -System Integration

Critical to NAVFAC Alignment Savings

Application Reduction & Server Consolidation:

- Phase I: NAVFAC reduced 33,000 to 600 applications
- Phase II: NAVFAC 600 + CNI 1800 reduced to "joint 500"
- Two server consolidation projects underway: SPS and Maximo

•Transformation Initiatives:

-Restructuring NAVFAC IT Delivery

-Harvesting ROI from Application Development



Continuously Shape/Leverage the Workforce

Reduce Cost

Alianment

Workforce

Metrics

HR Strategy Overview



Working towards the right mixes

- Military/Civilian/CSS
- Supervisor/Subordinate
- All trends are down

Civilian Workforce

- CIVPERS Community Management
 - Based on TFE principles
 - Workforce Shaping (Right mix/right numbers)
- Contractor Service Support
 - Minimal and used for surge capability

Civil Engineer Corps

- Active
 - Will be smaller
 - Only military essential/leadership/developmental billets
 - Will conduct Zero Based Review with N13
- Reserves
 - Smaller and fully integrated with Active

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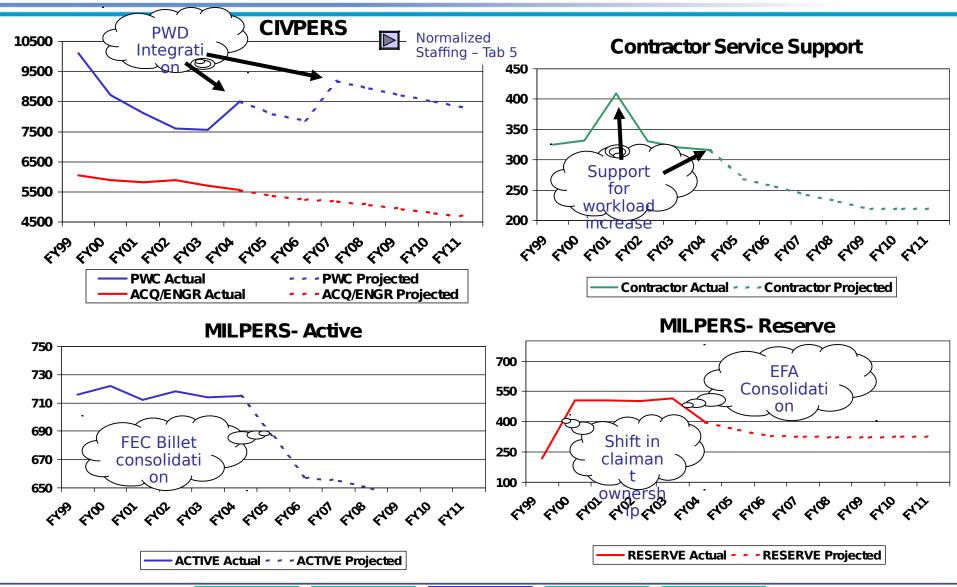
Reduce Cost

Alignment

NAVFAC 8Manpower Actual/Projected







Workforce

Metrics

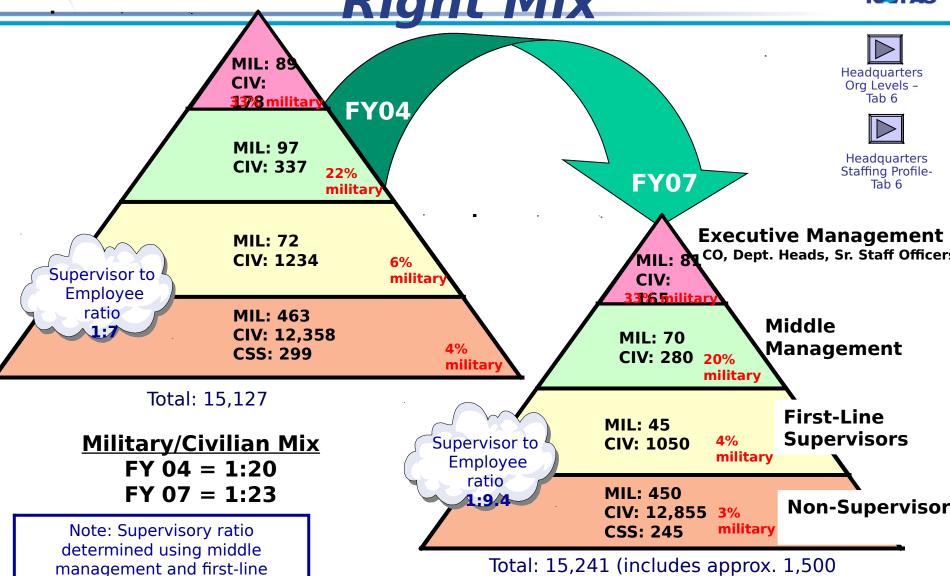
Determining the Right Mix



- Laser focused on determining the optimum mix
- Business/Support Line Leaders fully empowered/accountable to determine and achieve optimum mix
- Embedded all manpower in A-11 budget and EFD/Specialty Center Resource Allocation Process

Working Towards the Right Mix





Reduce Cost

management and first-line

supervisors as numerator

Alignment

Workforce

Metrics

Sustaining Change

CIVPERS from PWD integration)

Human Resource Strategies to Determine the Right Mix



<u>Civilian Community Management</u>

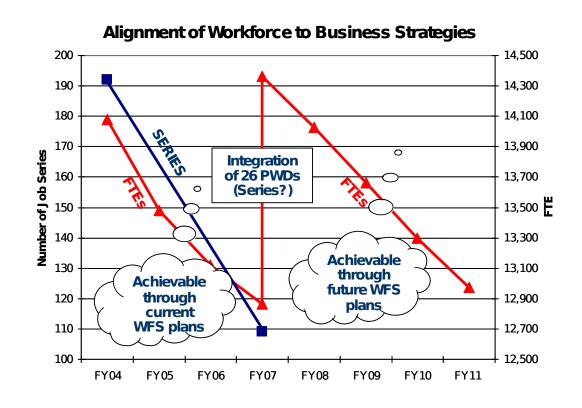
- Key part of NAVFAC governance
 - -Internal alignment across NAVFAC
 - -External alignment with OPNAV N11
- Begins and ends with business strategies
 - -The management and career development of our global workforce through competency-based functional communities in support of our business/support lines.
- Two major elements of Community Management
 - -Workforce Shaping
 - -Career Development

Workforce Shaping



An annual process for identifying the appropriate skill mix by Communication

- A. Community Managers and Business Line Leaders determine business requirements and align workforce with future business requirements
- B. Determine required knowledge, skills and abilities needed to accomplish future work processes and workload



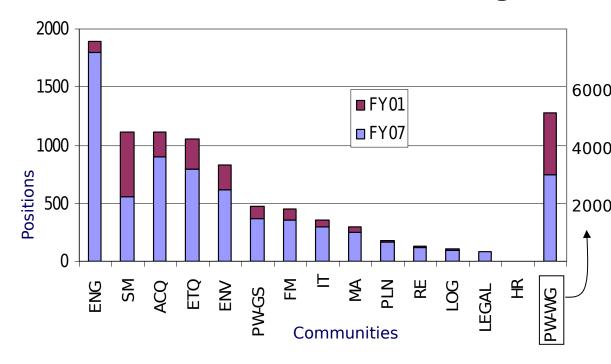
26 Reduce Cost Alignment Workforce Metrics Sustaining Change

Workforce Shaping (cont)



- •C. Determine gaps between current workforce and future requirement
 - -In what series do we need to invest? What series do we need to divest?
- •D. Determine HR Strategies to "Act to create change"
 - -Focused personnel actions and targeted investments to lead change

FY01-07 Workforce Changes



Examples

ET & QA Community

FM Community

FM Community

Career Development



- Based on results of Workforce Shaping
 - -For every job at every level within the Command, Community Managers determine required
 - Competencies
 - Education
 - Experience
 - Licenses and certifications
 - -Community Management Plans established
 - Reviewed annually
 - Leadership competencies included
 - -Every employee and supervisor must annually evaluate skills and abilities vs. career requirements
 - •Implemented a web-enabled process called the NAVFAC Evaluation and Assessment Development System (NEADS)
 - Generates Individual Development Plans directly linked to business outcomes

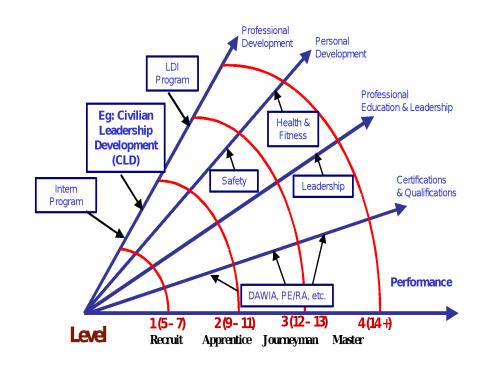


-Excerpts from Environmental Community Management Plan

Civilian Community Management/ Task Force Excel



- CM Plans are based upon Task Force Excel principles
- NAVFAC will incorporate
 Task Force Excel into the
 next update of our
 Community Management
 Plans
 - -Leverage e-learning
 - -Accelerate alignment of civilian HR strategies
 - -Incorporate NSPS through performance vector by linking career development to performance



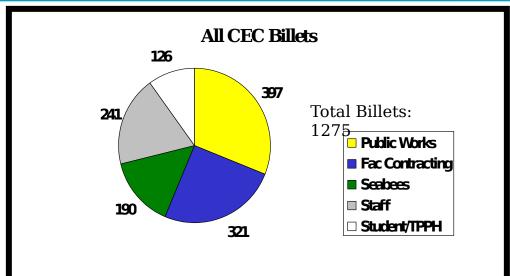
CEC Force Shaping



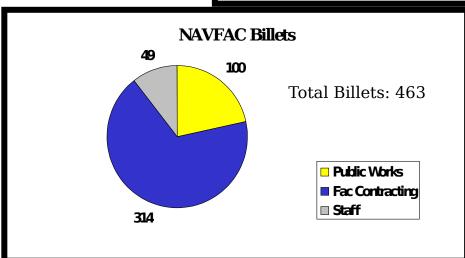
- The Civil Engineer Corps will be smaller
- CEC officers will only be in military essential, key leadership, or developmental engineer/acquisition billets
- Will conduct Zero Based Review with N13

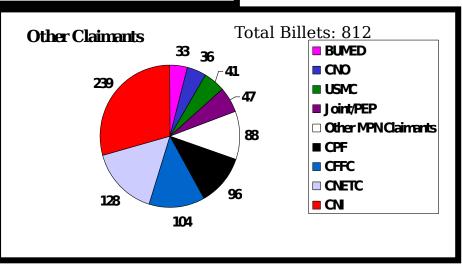
CEC Billet Distribution





As of 31 Dec 03

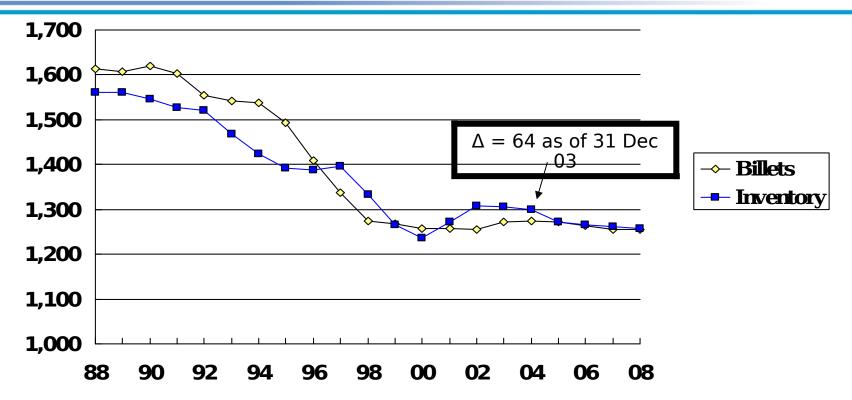




31 Reduce Cost

CEC Billets vs. Inventory

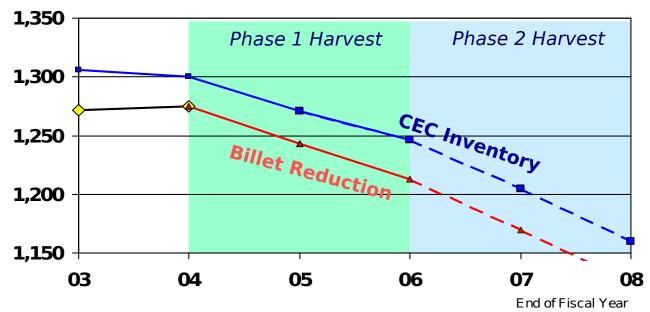




- Reduced FY04 accessions by 11 (106 to 95)
- Zeroed-out FY04 Line to Staff Transfers (17 to 0)
- Reduce FY05 accessions by 20 (95 to 75)

Continuous Evaluation of CEC Billets vs. Inventory





Phase 1: (underway)

- Aggressively scrub/reduce HQ/EFD/EFA/PWC billets (FY04)
- •FEC establishment (by FY05) reduces 56 billets

Phase 2: (Summer '04)

- Aggressively scrub/reduce CEC billets with Claimants
- Reduce PWD CEC billets post FEC establishment

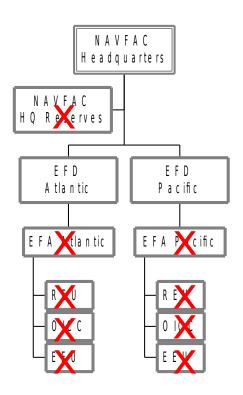
CEC Reserve Force Shaping

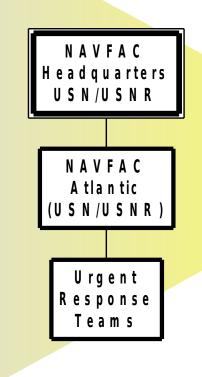


•In FY04 consolidate NAVFAC Atlantic & NAVFAC Pacific augment units and reduce billets: 258 to 96

-98 billets in FY04 (23 off / 75 enl)

-64 billets in FY05 (49 off / 15 enl)







Operate by Output Driven Metrics

Reduce Cost

Alianment

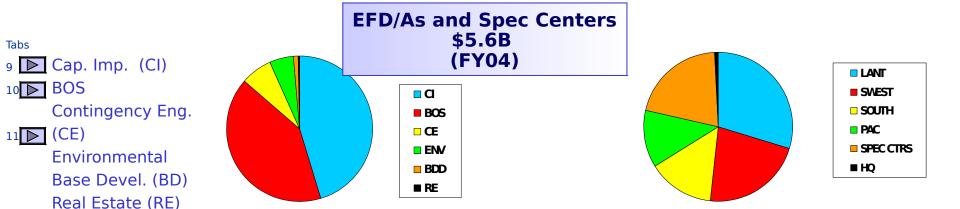
Workforce

Metrics

NAVFAC 1,2 Output Driven Metrics

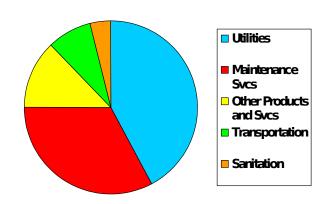


Constantly improve productivity across all commands/business lines



By Business Line / & N/I \

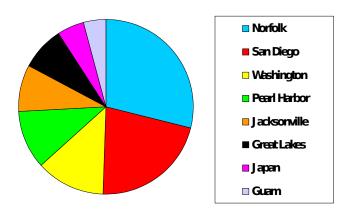
By Component Command (**M)**



By Commodity (\$M)







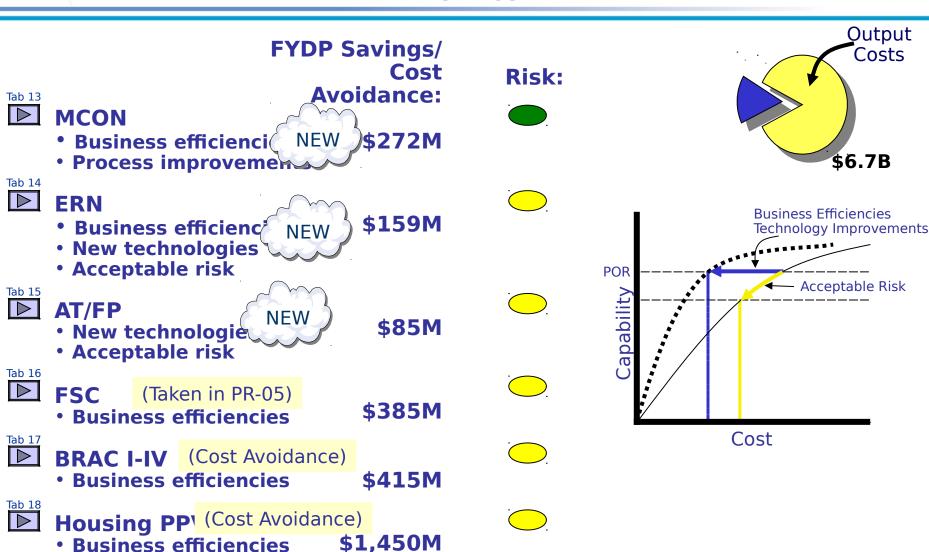
By Component Command (\$M)

Sustaining Change

36 **Reduce Cost Alignment** Workforce **Metrics**

Program Output Savings/Cost Avoidanc **Metrics**





37 **Reduce Cost Workforce Sustaining Change Alignment** Metrics



Create / Sustain the Culture of Change

Reduce Cost

Alianment

Workforce

Metrics

Sustain a Culture of



nnovation

Managemen Change

Results

Change

Business Planning That Generates Innovat

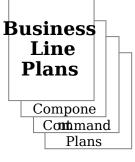
Old Approach

- Command-centric
 - -- Budget pressure
 - -- Higher authority direction
 - -- "Salami Slice"



New Approach

- Business Line-centric
 - -- Impose rigor of continual Business Line process improvement
 - -- Resource allocation by Business Line provides accountability/discipline











Process Established

- Strategic Plan that establishes efficiency and effectiveness strategies
- Annual Business Line Plans link strategies to actions
- Commands held accountable to performance targets/output metrics



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Reduce Cost

Alignment

Workforce

Metrics

Transformational Initiatives



Tab 19	Proposal	FYDP Production Cost Savings \$M	FYDP Output Savings \$M	Readines s Risk	Ease of Execution
Tab 20	Parametric Facilities Condition Assessment		73		<u>.</u>
Tab 21	Leverage NASNI ATFP Test Bed		46		
Tab 22	ATFP Global Sustainment Contract		55		· · ·
Tab 23	Restructure IT Delivery Across NAVFAC	33			
Tab 24	Harvest ROI from IT Development	25		· · · · · · · · · · · · · · · · · · ·	· .
Tab 25	Eliminate Redundant Environmental Staffing	62			· · ·
	Streamline Engineering	17	91		<u>.</u>
Tab 26	Leverage Navy Buying Power		TBD	·	· .

40

Reduce Cost

Alignmen[.]

Workforce

Metri

Institutionalize Commitment to Savings and Change



- Established stretch fiscal targets to drive institutional accountability and achievement:
 - -Cut MILCON SIOH rate (6% to 5.7%)
 - -Reduced Mission Funded (RMS) Budget
 - -Reduced NWCF A-11 Budget
- Enhance/Accelerate Accountability through FITREPs and CIVPERS APAS
 - -Tied to output driven metrics
 - -Recognition/Awards

Summary



- Committed to "Act To Create Change"
 - -Results achieved through enterprise structural, functional, and process improvements
- Alignment ashore is needed -Ready to start now
- Lots of work to do Energized/anxious to make it happen



Sustaining Change

Committed to become the Navy's best value provider of

Facilities Engineering, Construction, Mainte Facilities Acquisition Acquisition

- Surge Enabler
- Ever Faster
- Interdependent Global Continuous Cost
 Team Reduction

Questions?

Reduce Cost Alignment Workforce Metrics

CNO Action Items (18July03)



Action Item	Action Assigned
NAVFAC1	Expand and improve your metrics to track ROI. Define what your outputs (i.e., products) are and then be able to show what it costs to produce them. The ROI should include all costs and be based on actual not arbitrary factors or composite rates.
NAVFAC2	Take a turn on analyzing the resources within each line of business (LOB) over time. If the private sector/other sources can achieve the desired outcomes more economically, then we should get out of that business. Maintaining all LOBs should not be an objective.
NAVFAC3	Look for ways to reduce the consumption piece and find efficiencies in management/overhead. Understand what is consumption versus what is management/overhead for your LOBs.
NAVFAC4	Embed a process that continually looks at innovative ways to reduce costs and manage program execution. An all hands effort is the objective.
NAVFAC5	Provide your mitigation strategies for each of your constraints. The proposals should identify what you can do and where you need help from me in eliminating the constraint. All actions including changes to policies that may be exacerbating the problem need to be considered. Real cost data on the fiscal impact of these constraints needs to be collected to help us make a case for change and improve our chances of success.
NAVFAC6	Provide me a specific proposal on how to increase the use of competition within your acquisition process. Increased competition in the contracting process can yield substantial benefits.
NAVFAC7	Report ways you can encourage our long time partners to reduce their costs. Helping our industry partners to reduce their costs can reduce our costs. Come back and discuss ways
NAVFAC8	Revise your personnel and resource charts so they are normalized for functional transfers and outsourcing. It is important to understand what real efficiencies are and what are cost transfers.
NAVFAC9	Clarify harvested cavings in your outvoor profile. Harvesting cavings is occupital. In looking

NAVFAC as Claimant 25



Drill Down

Output
programs
with people-
paying amounts
ailloulits

Production accounts with program output





Program	\$M	Productio	Output	
Investment:	1,064			
OPN	443		443	
ER,N	278	34	244	
FH(CON/IMP)	203		203	
MCON/R	92	40	52	
BRAC	28	27	1	
RDTE	20		20	
Operations:	302			
O&M,N	289	243	46	
O&M,NR	13		13	
MP,N	53			
Total	1,419	344	1,022	

Centrally Managed Programs



FY06

ABFC Mgmt	340
NCF Equip SLEP	1,542
NCF Logistics Improvements	2,483
Night Vision Devices	318
Seals War Reserve Stock	291
Tactical Communications Equip.	3,591
TOA Reconstitution	2,262
Naval Exp. Engineer Forces	638
Integrated Logistics Overhaul	5,236
Sealift Support	18,875
Hist. Arch. Restoration Program	351
Ocean Facilities	290

CBR-D Ashore Program	176
CT Physical Security	670
Security Site Improvements	2,566
Regional Planning Studies	8,879
SRM Facilities Mgmt	1,141
Civil Engineering Equip Overhaul	614
Mobile Utility Support Equip	847
Hazard Abatement Projects	11,664
Environmental Compliance Studies	25,129
Natural Resources Projects	1,389
DEMVAL Energy	3,916
Sustainable Design Development	435



\$59M Output/\$35M Production

\$93,643 M

46 Tab 2

Reduce Cost

Alignment

Norkforce

Metrics

Production Savings





HQ/EFDs/Specialty Centers

(\$M)	FY06	FY07	FY08	FY09	FY10	FY11	TOTAL
MPN	4	6	6	6	6	6	35
MCON (SIOH)	7	7	6	7	8	8	43
ERN	4	10	14	9	12	13	62
O&MN	13	12	13	19	27	33	117
TOTAL	28	35	40	42	52	59	256

PWCs

FVVCS							
(\$M)	FY06	FY07	FY08	FY09	FY10	FY11	TOTAL
CNI (FH - OPS)	0.9	1.1	1.4	1.6	1.9	2.1	9.0
CNI (O&MN OBOS/SRM)	14.8	19.0	23.8	27.8	31.8	35.8	153.0
PACFLT (O&MN)	2.3	2.9	3.7	4.3	4.9	5.4	23.5
LANTFLT (O&MN)	1.5	2.0	2.4	2.8	3.3	3.7	15.7
NAVAIR (O&MN)	0.2	0.3	0.3	0.4	0.4	0.5	2.1
NAVSEA (O&MN)	0.2	0.3	0.3	0.4	0.4	0.4	2.0
SUB-TOTAL	20	26	32	37	43	48	205





Output Savings Drill Down

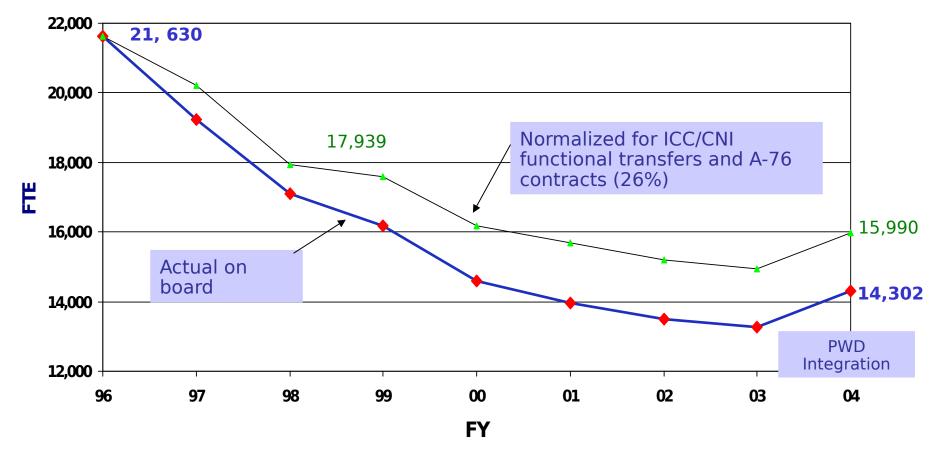


(\$M)	FY06	FY07	FY08	FY09	FY10	FY11	TOTAL
OBOS (CNI)	12	12	12	12	12	12	73
ATFP (O&MN/CNI)	3	5	7	11	13	16	55
BOS (OBOS & SRM/CNI)	3	5	10	10	10	10	46
ERN (NAVFAC)	13	20	25	30	34	36	159
ATFP (OPN/NAVFAC)	4	5	7	10	10	10	46
ATFP (OPN/NAVFAC)	10	10	15	15	15	20	85
MCON (P&D/NAVFAC)	3	7	9	9	9	9	45
MCON (ALL CLAIMANTS)	49	42	43	45	46	47	272
TOTAL	97	106	128	142	149	160	781









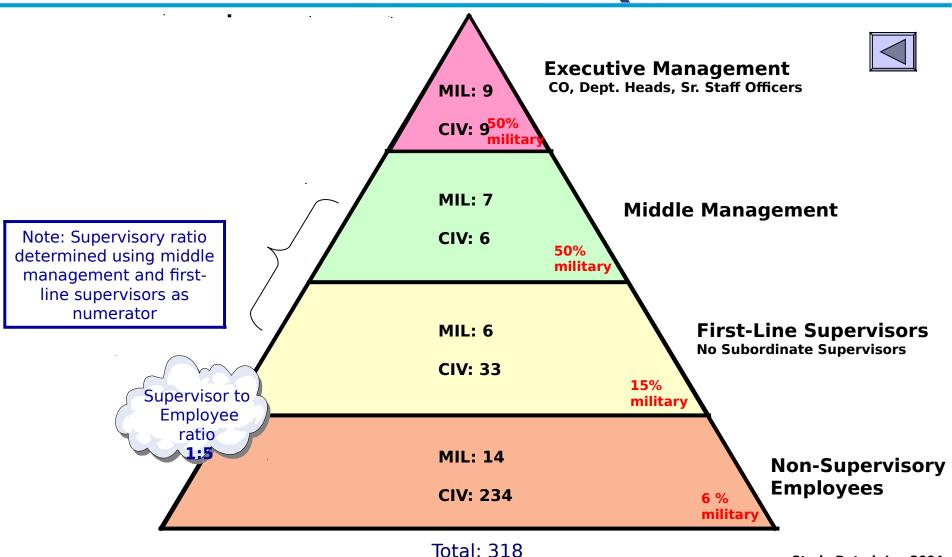


49 Tab 5

Organizational Levels NAVFAC HQ



Study Dated: Jan 2004



50 Tab 6

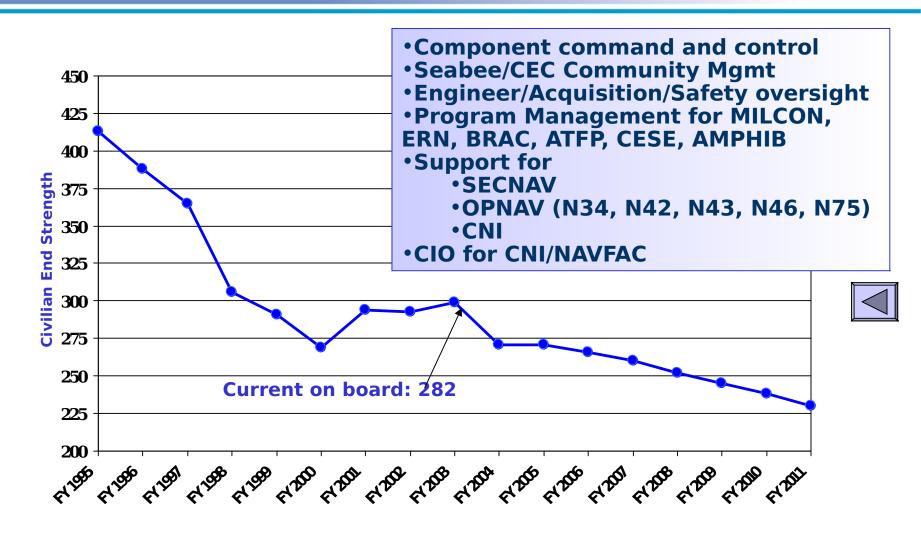
Reduce Cost

Alignmen

Workforce

Metrics

NAVFAC HQ Staffing Profile



51 Tab 6 Reduce Cost Alignment Workforce Metrics Sustaining Change

Engineering Technician and Quality Assurance



Community Workforce Shaping

- Business requirement assessment determined the need for more reliance on "Contractor Quality Control" and to focus our employees on "Government Quality **Assurance**"
 - -NAVFAC had too many Construction Representatives (GS-809)
- Human Resource Strategies "Act our way into change"
 - -Eliminate Construction Representative (GS-809) Series
 - -Transition those qualified to Engineering **Technician Series (GS-802)**
 - -Reduce ET/QA workforce 100 billets (25%) by





Financial Management Community



Workforce Shaping_

- Business requirement assessment determined the need to transition from "Government accounting" to financial management and analysis
 - -NAVFAC had too many "assistant/tech" billets
- Human Resource Strategies "Act our way into change"
 - -Transition from 9 to 5 GS series by 2004
 - -Transition those qualified to financial management billets
 - -Reduce FM workforce 100 billets (22%) in 2004
 - -Outsource "accounting" functions



Excerpts from Environmental Community Management Plan



- Environmental Community series
 -0028, 04XX, 0819, 13XX
- •The Environmental Community member will...
 - -be proficient in applications of scientific principals to the Navy's environmental challenges ashore and at sea.
 - -have knowledge, skills and abilities to collaborate within NAVFAC and to our clients
 - -have a bachelors degree, one third will have a masters degree
 - -be integrated into the Facilities Engineering workforce under DAWIA



Environmental Engineering



Common Community Competencies

Community Competencies

Professional Entry Level (GS 5-7-9)

- Knowledge of general environmental and technology principles to assist in carrying out functions that support the mission of the organization.
- Basic understanding of the Navy mission, requirements, operations, chain of command, finances, and environmental management.
- Basic understanding of federal and state environmental policies and their implementing regulations. Basic understanding of DOD, Navy, and Marine Corps policies implementing environmental requirements.
- Understanding other federal agency's missions and their impact on NAVFAC and Navy mission.
- Bachelors' Degree (Required)

Community Competencies

Mid-Level Professional Level (GS 11-12-13)

- Knowledge of the Navy environmental quality assessment programs.
- Knowledge of environmental performance monitoring and optimization principles and methods.
- Knowledge of methods and procedures for developing technical documentation (reports, specifications, manuals, instructions, and operating procedures).
- Ability to analyze data to troubleshoot environmental problems, evaluate established methods and procedures functions.
- Ability to assist less experienced staff in working with clients to determine approaches, options, and recommendations

Community Competencies

• Mid-Level Professional Level (GS 11-12-13)

- Knowledge of principles, methods, and practices in the specialty environmental areas to participate in providing services that enable customers to effectively integrate environmental processes to meeting naval requirements.
- Understanding of the NAVFAC organization, business lines, communities, and interactions within and between components.
- Understanding of the issues and public concerns that initiated federal and state environmental policies and their implementing regulations. Comprehensive understanding of DOD, Navy, and Marine Corps policies implementing environmental requirements.
- Knowledge of the Navy budget process and how the Navy plans and pays for environmental requirements.

Community Competencies

•Senior Management Level (GS 14-15)

- Advanced knowledge of principles, methods, and practices in the specialty environmental areas to participate in providing services that enable customers to effectively integrate environmental processes to meeting naval requirements.
- Detailed knowledge of the capabilities the environmental business line and the ability to provide support between components.
- -Ability to manage an assigned environmental program,
- -Knowledge of new and emerging environmental technologies and/or industry trends.
- -Ability to mentor



55 Tab 8 Reduce Cost Alignment Workforce Metrics Sustaining Change

Environmental Engineering



Common Career Development

Common Career Development

Professional Entry Level (GS 5-7-9)

- -Continuing Education
 - •CECOS Environmental Protection
 - CECOS Navy Environmental Policy
 - CECOS Basic Environmental Law
- Developmental Assignments
 - Within functional area
 - Professional society membership
- Rotational Assignments
 - Among other environmental functions and other NAVFAC communities

Common Career Development

- Mid-Level Professional Level (GS 11-12-13)
 - Continuing Education
 - · Progress toward advanced degree
 - CECOS Environmental Compliance Assessment
 - CECOS Environmental Negotiation Workshop
 - · CECOS Health & Environ, Risk Communication
 - Effective Briefing
 - NEI Level I
 - Developmental Assignments
 - · Integrated process team member
 - · Professional society participation
 - Rotational Assignments
 - Among other environmental functions and other NAVFAC communities

Common Career Development

- Senior Management Level (GS 14-15)
 - Continuing Education
 - Progress toward advanced degree
 - Professional registration
 - CECOS Advanced Environmental Law, Advanced Environmental Management
 - Team Skills
 - NEI II/III/IV
 - Professional society participation
 - Developmental Assignments
 - Mentoring Activity
 - Senior Level Presentations Outside the Command
 - Federal Executive Institute
 - Rotational Assignments
 - Fleet and other DOD



56 Tab 8 Reduce Cost Alignment Workforce Metrics Sustaining Change

Capital Improvements Business Line



FY-04

3,849K Work-hours \$285M Business Line Leader drives change



Cost Drivers:

- Dispersed global clients
- Statutory requirements
 - Fed, State, OCONUS
- Construction marketplace
- Design changes
- Acquisition strategy



Product and Services	WYS *	Cost** (\$K)
Construction	158 5	172,304
A/E Design	439	66,428
In-House Design	105	14,659
Specialized Technical Services	91	17,024
Ocean Engineering Services	78	14,445

*Military, Civilian, and Contractor Supplement

**Includes indirect

Reducing the Costs



Capturing the Costs

57 Tab 9

Reduce Cost

Alignment

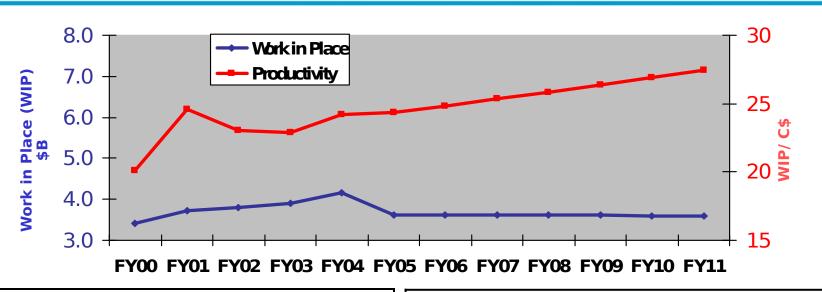
Workforce

Metrics

Capital Improvements Construction Productivity











Efficiency Initiatives

- **Best Value Source Selection** long term partnership with outstanding contractors
- **Design-Build (drive down** change orders, claims)
- Web-based tools and E**business**
- **Business Process Changes** e.g. performance based

contracting, IPTs Community

<u>Savings</u>



- P = Output/Costs
- O = Construction Work in Place
- C = NAVFAC Production Costs
- NAVFAC Production Cost Savings = \$17 M

FY06 FY07 FY08 FY09 FY10

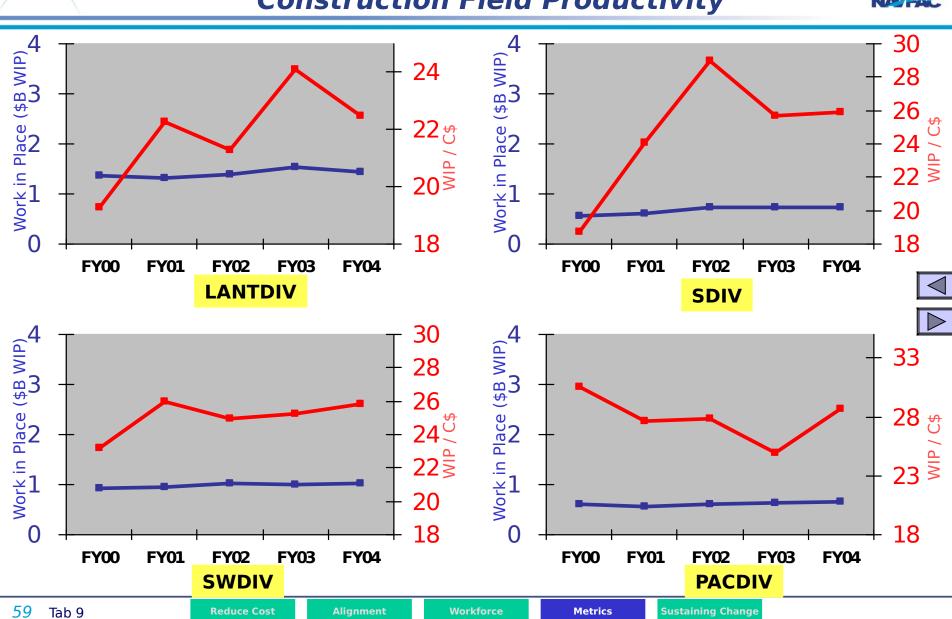
FY11

Workforce

Capital Improvements



Construction Field Productivity



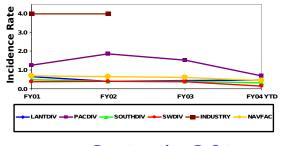
Capital Improvements

Dashboard

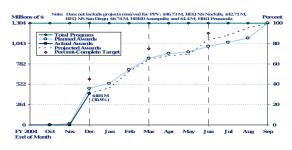




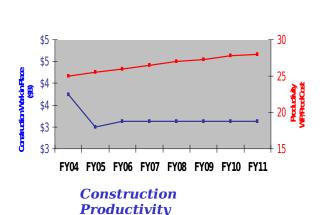
Construction Award to BOD

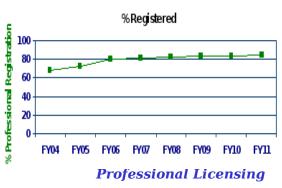


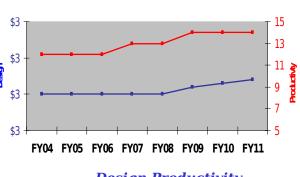
Construction Safety



Navy MCON Execution







Design Productivity

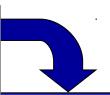
O Tab 9 Reduce Cost Alignment Workforce Metrics Sustaining Change

Base Operating Support Business Line (RMS only)



FY-04

1,658K Work-hours \$138M





Cost Drivers:

- Labor Cost
- Multiple Management Systems and Business Models
- FSC Acquisition Support Costs
- Investments for Energy Reduction
- Investment in Enterprise, Web-based Management Tools

_	
Γ	ightharpoons

Frouuct and Services	WYS *	Cost** (\$K)
Facility Support Services	370	39,679
Utilities/Energy	190	26,464
Facility Mgmt	180	36,126
Equipment Mgmt	107	18,007
Facility Support Contract Technical	83	11,469
Base Caretaker	60	6,509

*Military, Civilian, and Contractor Support

**Includes indirect

Reducing the Costs

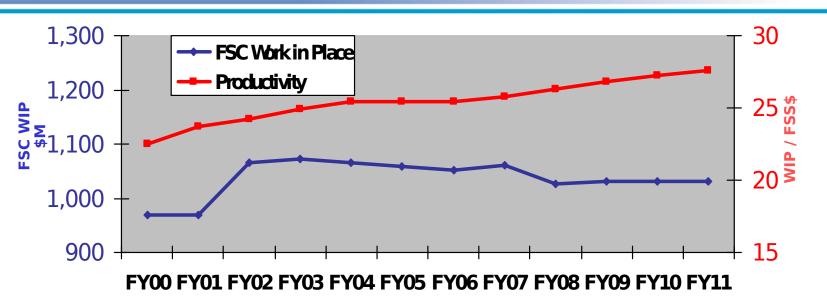


Tab 10

Base Operating Support

FSC Productivity





Workforce





Efficiency Initiatives

- **Aggressive Regional acquisition** strategy
 - Larger, fewer contracts
- Standardization of performance based contract templates tied to service levels
- **Direct electronic ordering**

Savings

\$16M F



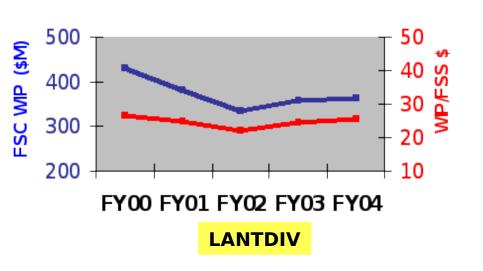
- O = Facility Service Contract Work in **Place**
- C = NAVFAC Production Costs
- NAVFAC Production Cost Savings = \$16 M

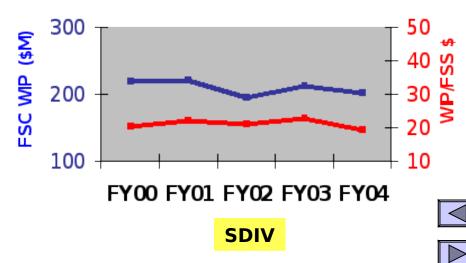
FY06 FY07 FY08 FY09 FY10

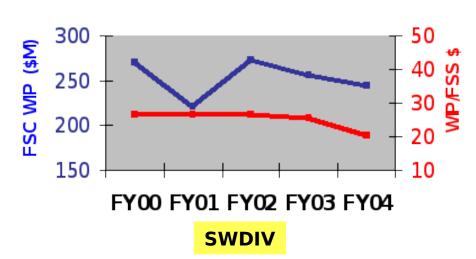
Base Operating Support

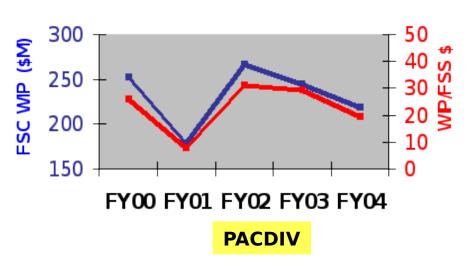
FSC Field Productivity Comparison









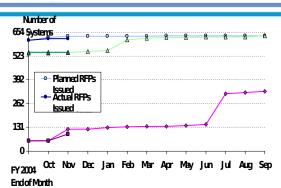


63 Tab 10 Reduce Cost Alignment Workforce Metrics Sustaining Change

Base Operating Support

Dashboard



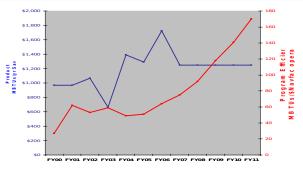


Utilities Privatization Status

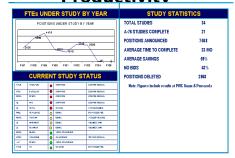


Product Pieces of equi

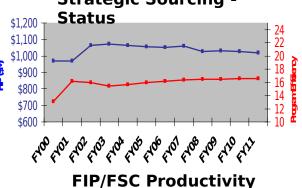
Transportation Mgmt Productivity



Energy/Utilities Productivity

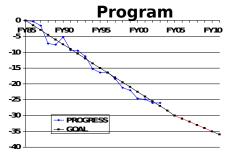


Strategic Sourcing -



Millions of \$ Percent 124 80 60 → Total Program 3.1 20 - Actual Obligations Percent-Complete Target FY2004 Oct Nov Dec Jan Feb Mar Apr May Jun Jul Auc, Sep End of Month

FY04 Geothermal



D

О

MBTU SOFT

Energy Reduction (MBTU/KSF)



Tab 10 **Reduce Cost** Workforce **Sustaining Change Alignment Metrics**

Environmental Business Line



FY-04

1,393K Work-hours \$132M



- Technical complexity and unforeseen conditions
- New sites, new contaminants and lower cleanup levels
- Overly conservative cost estimating and remedy selection
- Bias toward low-risk, cost-plus contracts
- Resistance by stakeholders to risk-based site cleanup strategies
- Reliance on conventional approaches to long-term monitoring operations and remedial actions

(pump & treat)

Reducing the Costs





Product and Services	WYS *	Cost** (\$K)		
Environmental Restoration	398	63,374		
Environmental Compliance	319	51,164		
Environmental	115	17,629		
PMARAY, Givilian, and Contractor Support				

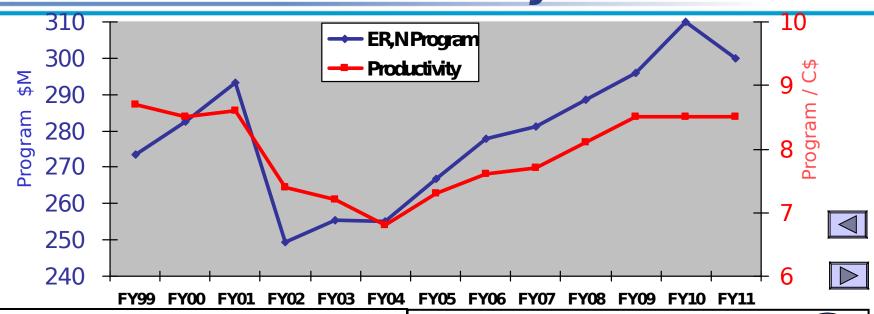
**Includes indirect



65 Tab 11 Reduce Cost Alignment Workforce Metrics Sustaining Change

Environmental Restoration Productivity





Efficiency Initiatives

- Consolidate functions and reduce staff
- Rigorously review budgets bi-annually
- Perform peer group scope and cost validation of each site cleanup immediately prior to the year of execution
- Optimize remedies, long term operations/monitoring and pump and treat systems
- Incentivize industry using outcome based acquisition strategies including fixed price, multiple award and cost plus contracts
- Aggressively implement "best of breed" application of new technologies
- Influence cleanup decisions by early active involvement of all stakeholders via a strong

<u>Savings</u>

\$33M FY



Metrics

• O = ERN Program Execution

C = NAVFAC Production Costs

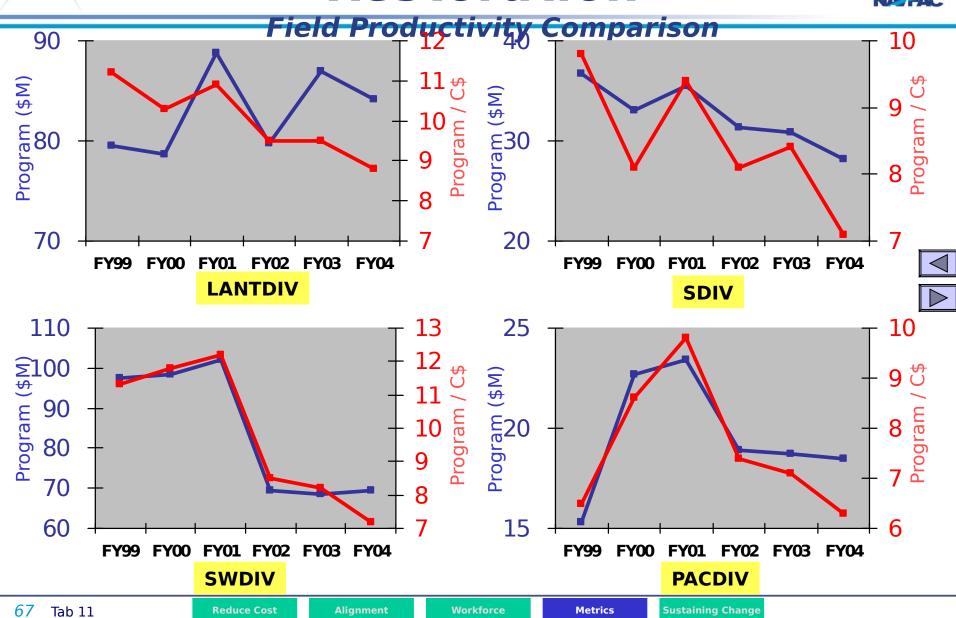
•NAVFAC Production Costs Savings = \$33 M

FY06 FY07 FY08 FY09 FY10 FY11

Workforce

Environmental Restoration





Environmental

Dashboard





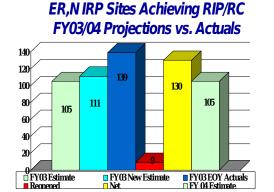


\$320 \$310 \$330 \$280 \$280 \$270 \$260 \$250 \$240



ENV Business Line Staffing

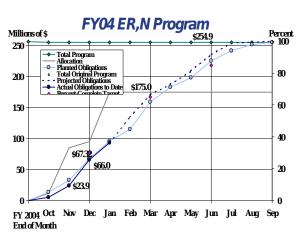




TOTAL ACTUAL 130

Note: Actuals equal to sites going ripro by EOY03 that were not counted as going ripro in a prior year and sites going ripro now reported prior to EOY03 that were not reported before.

TOTAL PLANNED 105

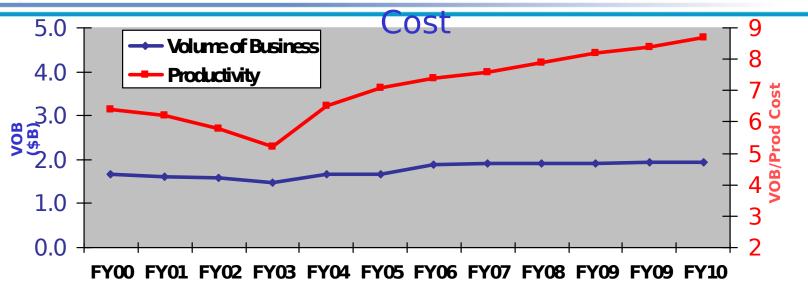


68 Tab 11 Reduce Cost Alignment Workforce Metrics Sustaining Change

NWCF Productivity



Total Volume of Business / Production





Efficiency Initiatives

- Consolidation, Reduced Overhead
- A-76/CA Studies
- •Implementation of Enterprise, Webbased Management Systems
- Innovative Technology Transfer
- Utility Privatization
- Energy Management Initiatives

<u>Savings</u>

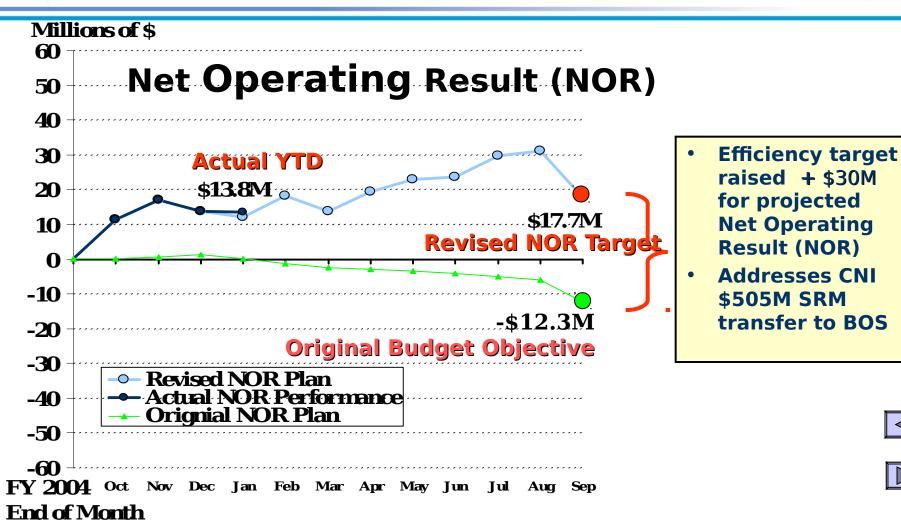
\$205M FYDP

- P = Output/Costs
- O = Total Volume of Business
- C = PWC Production Cost

FY04 FY09	FY05 FY10		<u>FY07</u>	FY08
8	12 42 6	20 48	25.5	32

NWCF FY04 Financial Execution Plan





NOR = Total Revenue - Total

70 Tab 12

Reduce Cost

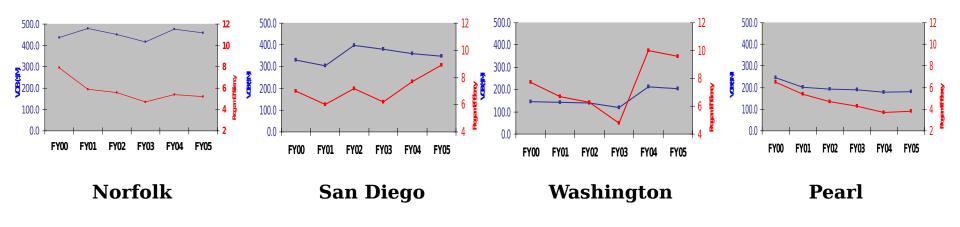
Alignment

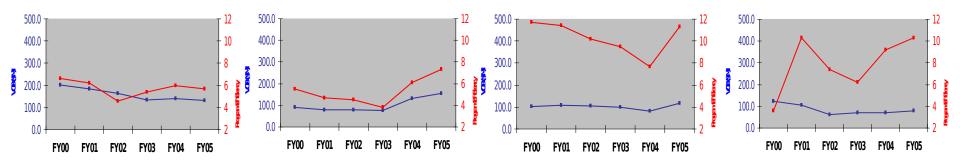
Cost

Metrics

PWC Productivity







Jacksonville

Great Lakes

Japan

Guam

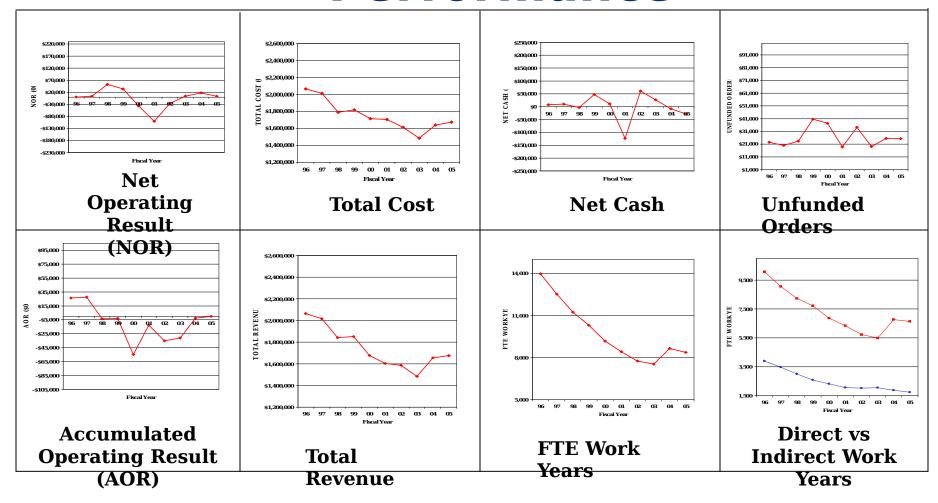


PWC Efficiency Metrics Reported Monthly



PWC Total Financial Performance







72 Tab 12

Reduce Cost

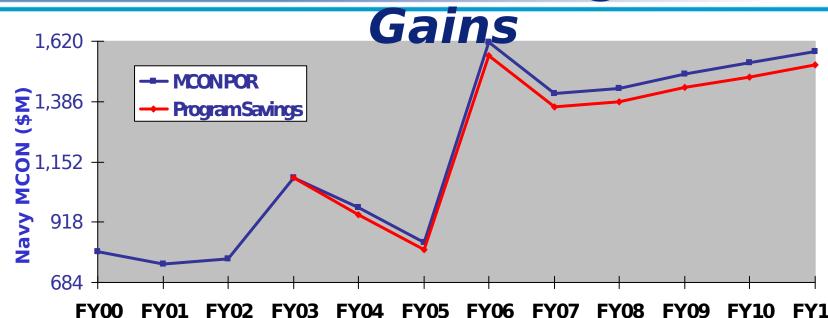
Alignment

Workforce

Metrics



NAVY MCON Program



Business Efficiencies

- Design-Build drives down change orders & claims and enhances innovation and cost savings initiatives by D/B contractors.
- Best Value Source Selection incentivizes innovative proposals and reduces cost/ construction durations.

Savings \$272M FYDP

Potential Program Savings

(\$M) <u>FY10</u>	<u>FY06</u> <u>FY11</u>	<u>FY07</u>	<u>FY08</u>	FY09
46	49 47	42	43	45



Reduce Cost

Alignment

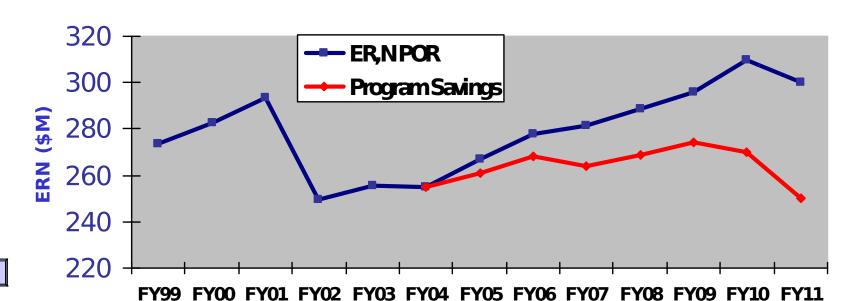
Workforce

Metrics

Sustaining Change

ER,N Program Gains





Business Efficiencies/Acceptable Risk

- Will delay completion of Response Complete/Remedy in Place for all sites beyond 2014
- <u>Risk:</u> Regulatory Agencies may move towards an adversarial relationship with enforcement actions
 - Public perception that the Navy is relaxing its commitment to the environment
- Mitigation Strategy: Coordinate strategy with OSD and continue to show cleanup

Savings \$159M FYDP

Potential Program Savings

(\$M) FY09	FY06 FY10	<u>FY07</u> FY11	<u>FY08</u>
Bus. Eff. 15	6 30	12 38	14
Acc. Risk	4	5	6
7	10	<u>12</u>	

74progress

Reduce Cost

Alignment

Workforce

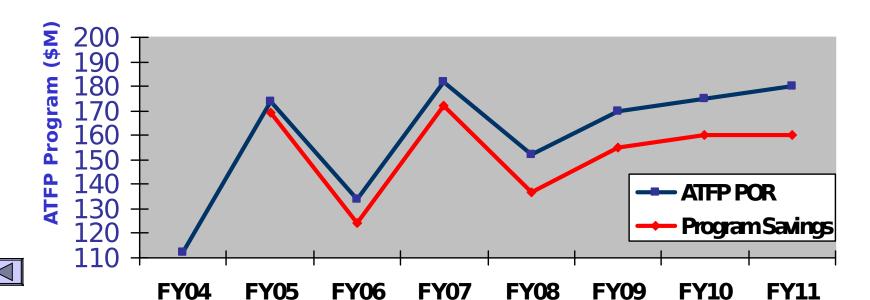
Metrics

Sustaining Change

20

ATFP Program Gains







- Invest in capabilities with higher risk reduction
- Accept appropriate risk, reduce investment in low payback areas in concert with CNI
 - Higher payback Emergency management, command and control

Savings \$85M FYDP

Potential Program Savings

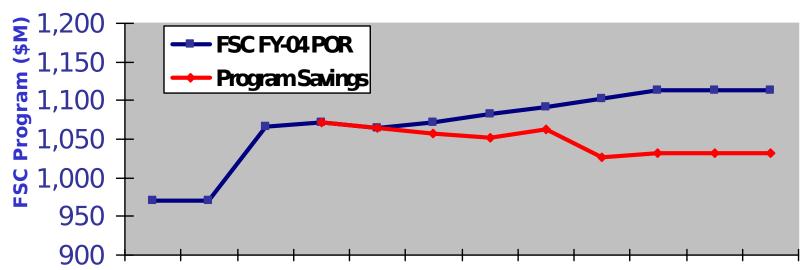
(\$M) <u>FY09</u>	FY06 FY10	<u>FY07</u> <u>FY11</u>	FY08
	10	10	15
15	15	20	



FSC Program Gains



FY09



FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11

Business Efficiencies in concert with CNI

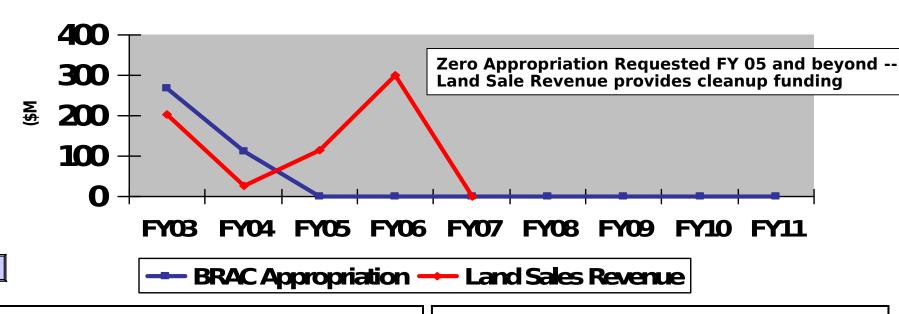
- Regional acquisition, larger and fewer contracts
- Standardization of performance based contract templates, tied to service levels
- Direct electronic ordering

- _Savings already taken in PR-05; Total \$385M
- Potential Program Savings

(\$M) <u>FY10</u>	FY06 FY11	<u>FY07</u>	FY08
82	30 82	32	77

BRAC I-IV Program

Gains



Business Efficiencies

- Land Sale Revenue (LSR) zero out future appropriations requests
- Public sales generate maximum dollars
- Containment of cleanup costs

Cost Avoidance

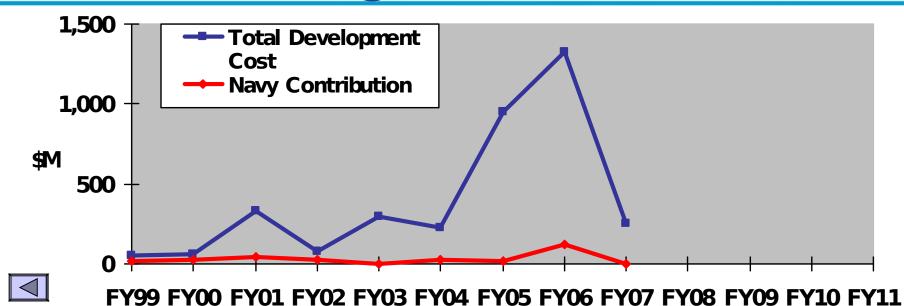
- \$376M Cost avoidance (FY05 & prior)
- Cost avoidance (FY06 and out)\$415M
- •Will leverage lessons learned BRAC 05



77 Tab 17

Navy Housing PPV <u>Program Gains</u>





Business Efficiencies

- Navy will eliminate Inadequate Family Housing by 2007
- Navy will reduce Family Housing Inventory by 86%
- Bachelor PPV Pilot in San Diego
 (\$126M cost avoidance) included
 FY06. Other BH PPV project concepts

Cost Avoidance

- Cost Avoidance of \$1,849M FY97
- FY05
- Construction Cost Avoidance\$1,450M FY06-out

FY05 FY06 FY07 FY08
FY09 FY10 FY11



Parametric Facilities Condition Assessment



DESCRIPTION FUNDING

In close coordination with CNI:

- Reduce cost of facility condition inspections by incorporating life cycle modeling and risk management for facility failures.
- Eliminate low-risk, calendar-driven, labor intensive inspection program.

- No additional funding required.
- Initial investment of \$14M for software/ hardware over FY05-06 offset by resultant labor savings.

(\$M) <u>FY06 FY07 FY08 FY09 FY10 FY11 **Total**</u> **BOS** 11.5 12.3 12.3 12.3 12.3 73



ASSUMPTIONS

- Reduces inspection costs from \$0.16/SF to \$0.04/SF.
- Optimize allocation of SRM funds
- 18-month timeline to implement across Navy.

RISKS & ACTIONS

- New skills required for facility assessors.
- Award pilot (\$500K), 4th quarter FY04



79 Tab 19

Leverage NASNI ATFP Test Bed

DESCRIPTION

- Direct ATFP Test efforts on items that support risk-based investment
- Leverage other Service/Agency RDTE programs (e.g., Air Force Battle Lab).

FUNDING

- \$2.5M/year to operate NASNI Test Bed and leverage other Service initiatives
- Cash generated from improved ATFP solutions

strategy

ASSUMPTIONS

- NASNI Test Bed & other Service/Agency test programs will identify more effective/efficient ATFP technology solutions
- Test Beds will improve CONOPS and influence non-material solutions

RISKS & ACTIONS

 Aggressively leverage NASNI Test Bed reducing ATFP costs



80 Tab 20 Reduce Cost Alignment Workforce Metrics Sustaining Change

ATFP Global Sustainment Contract



DESCRIPTION

- NAVFAC award global sustainment contract for physical security & CBRNE equipment
- Apply innovative contracting practices
 - Performance based logistics
 - Industry input

- No additional funding required.
- Generate funds through better business practice

(\$M) <u>FY06</u>	FY07	FY08	FY09	FY10	FY11	
Total						
3	5	7	11	13	16	
55						

ASSUMPTIONS

RISKS & ACTIONS

FUNDING

- Benefit from economies of scale
- Incentivize contractors to reduce costs
- Ensure force protection equipment operates as intended, reducing risk
- Savings in procurement and sustainment programs

- Industry forum conducted Jan '04 significant industry interest
- Award contract Spring '05



81 Tab 21

Restructure IT Delivery Across NAVFAC



DESCRIPTION

- SAVINGS (\$M)
 II historically delivered vertically individual Commands
 - Will restructure to deliver IT services "horizontally"
 - Centralize IT support across NAVFAC
 - Consolidate staffs and reduce personnel
 - Corporately balance service vs. risk

POTENTIAL

- Personnel Reductions:
 - Reduce 60 workyears by FY07 (34 CIVPERS: 26 KTR)
 - 10.5% Reduction from FY04 baseline
- **Cost Savings:**

(\$M) FY06 FY07 FY08 FY09 FY10 **FY11** Total

ASSUMPTIONS

- Leverage Business Line centric approach.
- NAVFAC CIO makes all resource and staffing decisions on corporate basis.
- Changes local Command paradigm of "who owns IT".

RISKS & ACTIONS

- Reduced IT support could limit ability to execute enterprise IT initiatives.
- Post-NMCI IT requirements still evolving.







Harvest ROI from IT Investments



DESCRIPTION

SAVINGS (\$M)

- Harvest personnel savings resulting from IT application development investments
- Leverages technology to reduce labor
- "Appetite suppressor" for development.

POTENTIAL

- Ketum on investment:
 - FY04 investment: (\$6.7M).
 - Cost Savings:

(\$M) <u>FY</u>	<u>′06 FY07</u>	FY08	FY09	FY10	FY11
<u>Total</u>					
24.7	.2 4.5	4.5	4.5	4.5	4.5

ASSUMPTIONS

- System development/enhancement will vield:
 - Improved product quality
 - More efficient product delivery
- Improved Efficiencies = Less People

RISKS & ACTIONS

If development does not yield efficiencies, staffing shortfalls may occur.



83 Tab 23 **Reduce Cost**

Alignment

Workforce

Metrics

Sustaining Change

Eliminate Redundant Environmental Staffing



DESCRIPTION FUNDING

- Reduce NAVFAC environmental staffing 25% over the FYDP
- Optimize the Civilian and CASU employee mix to reduce FTE and payroll cost
- Maintain Core Capabilities

Savings (\$M)

	FY06	FY07	FY08	FY09	FY10	FY11	Total
TOTAL	4.2	9.8	14.1	9.4	11.6	12.9	62.0

ASSUMPTIONS

- Eliminate redundant staffs within NAVFAC
- Consolidate program management and Compliance Management

RISKS & ACTIONS

Risks:

- Decreased level of service to OPNAV, CNI, and Fleets
- Potential to lose credibility with Regulators

Action:

• Implement in all NAVFAC Environmental components wit **Readin Executi** Community Mai

84 Tab 24 Reduce Cost Alignment Workforce Metrics Sustaining Change

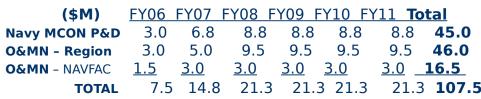
Streamline Engineering



DESCRIPTION FUNDING

In close coordination with CNI:

- Reduce engineering/design support for low-risk projects
- Categorize projects to ensure appropriate level of engineering applied.
- Accomplish projects not requiring engineering support via electronic ordering through GSA



Notes:

- MILCON savings are P&D funds.
- O&MN Region savings are realized through reduce operating effort and costs by PWC/PWDs.



ASSUMPTIONS

- Many projects receive more engineering support than appropriate risk management would dictate
- Clients will accept use of design-build vice traditional high-cost, low-risk, design-bid-build
- GSA executes work that doesn't require engineering support

RISKS & ACTIONS

 Process will ensure critical engineering support is applied where needed



85 Tab 25 Reduce Cost Alignment Workforce Metrics Sustaining Change



Leverage Navy Buying Power



DESCRIPTION

FUNDING

- Enable construction contractors to secure bigger supplier discounts
- Regional construction material vendor contracts available for contractor use

- No additional funding required
- Savings to be determined



ASSUMPTIONS

RISKS & ACTIONS

- No warehousing, no middle-man purchasing, no Government furnished materials
- Savings realized in reduced bid/proposal prices
- Large contractors may already have volume discount arrangements with suppliers

- Coordinating closely with NAVSUP
- Will conduct an industry forum
- Set up a regional pilot for evaluation



86 Tab 26 **Reduce Cost Workforce Sustaining Change Alignment Metrics**



Backup Slides



Enhance Contracting Competition



Competitive

NAVFAC 95.2%

Navy (Overall) 56.4%

USACE 75.6% (Construction)

- 2,678 separate contractor awards in FY 03
- Increased participation will reduce costs
- Industry Partner feedback
 - Streamline cumbersome bid / proposal processes
 - Reduce excessive design criteria
 - Eliminate non-value Quality Assurance requirements
 - Potential \$15M/year Savings

Industry Partners

- <u>Capital Improvements</u> General Motors, American Consulting Engineers Council, Independent Project Analysis Inc, Assoc of General Contractors
- •<u>Base Operations Support</u> Contract Services Assoc, American Assoc of Public Works
- Base Development American Planning Assoc.
- Environmental Three tier alliance w/EPA, State Regulators, and contractors
- Real Estate National Assoc of Installation Developers
- Acquisition Lend Lease Group